

Ladies and Gentlemen,

I am extremely thankful to the World Bank, Ms. Mansoor Rashid, Mr. Iftikhar Malik and the organizing team of this workshop for providing me with this opportunity to discuss the flagship social protection initiative of the Government of Pakistan with this select gathering of development professionals. I am here not only to share with you what we are doing but also to learn from your extensive experience in the field of social protection especially the initiative of health insurance for the underprivileged sections of society.

Benazir Income Support Programme (BISP) is the first ever comprehensive Social Protection Net in Pakistan. It is the response of the Government of Pakistan to the suffering of the most marginalized, deprived, and vulnerable segments of our society. The people of Pakistan, in general, have been suffering since long on account of one or the other reason. But the fact of the matter is that it's the people belonging to the lowest strata of society, already under privileged and excluded, who have suffered the most. It is for the first time that any government has taken cognizance of this harsh reality and has done something substantial to change the unenviable fate of the millions of down trodden people of Pakistan.

At the time when the present government took office in 2008, Pakistan's economy was severely affected by various factors, both external as well as internal. These factors included:

Unprecedented hike in international prices for oil and food; and

Instability caused by ongoing 'War on terror' negatively affecting the already unstable socio-economic structure of Pakistan.

Severity was different yet every social layer of the country felt these economic shocks.

Economic indicators were alarming from the perspective of any analyst. To give you a clear

picture of the prevalent situation at that time I would like to share with you few fact & figures of that time¹:

Domestic inflation had shot up to 21%;

Current account deficit had risen to 8.3 %;

Pakistani rupee had depreciated almost 10%; and

There was a more than 40% decline in the gross foreign exchange reserves.

Karachi Stock Exchange had dropped by more than 35% during April-July 2008

Consequently, government of Pakistan had to face the challenges of rising inflation, mounting unemployment, and diminishing opportunities for the majority of the people. As a result, a major section of population was living below the line of poverty.

The fear was that under the global economic recession and exceptional food inflation the already vulnerable sections would not be able to sustain this economic shock and will sink deeper into the vicious cycle of poverty and hunger.

Taking cognizance of the economic crisis we were in, the Government of Pakistan adopted a comprehensive strategy to address the most vital issue of poverty. Long term strategies of the Government to reduce poverty include the development and implementation of policies for:

Accelerating economic growth and maintaining macroeconomic stability;

Investing in human capital through special programmes in the Education, Health and Population Welfare sectors; and

Governance reforms to bring about efficient, cost effective and transparent service delivery at the doorstep.

Social Protection Policy as well as Institutional Framework already existed in the country in shape of various National Social Protection Strategy documents and Safety Net and Social

Figures taken from ADB's Report and Recommendation of the President to the Board of Directors, June 2009.

Security Institutions (Zakat, Bait ul Mal, Employees Old Age Benefit Institution, etc). However, their scope, mandate and institutional capacity were insufficient to meet the challenges faced by the government.

On the other hand, with national economy already overburdened due to the war on terror, situation was ripe for breeding even more frustration among the masses leading to further exposure to extremism. This necessitated an urgent and direct relief for the poor and excluded segments of society to give them hope and means to live.

Realizing the urgency of the need, government of Pakistan decided to fill the gap in the existing social protection institutional framework through creation of an efficient, objective and transparent social safety programme in shape of BISP.

BISP aims at meeting the two most important targets set by the United Nations' Millennium Development Goals (MDGs); these targets are:

to eradicate extreme poverty and hunger and
to promote gender equality and women empowerment.

If I may take the liberty to borrow some words from UN Charter I would like to say that BISP is 'determined to save the succeeding generations

from the scourge of poverty, hunger and deprivation which have brought untold sorrows to the mankind'. We at BISP are missioned to

fight poverty
promote equity and
to empower women

This involves assisting as much deprived families as possible, both economically as well as in terms of capacity building. Employing multiple social protection instruments designed to

bring a sustainable positive change in the lives of the deprived families. We have adopted a three pronged strategy of **Relieve, Enable** and **Graduate** to first restrict and then get rid of poverty and to inculcate an ethos of equity, dignity, and respect for our women folks.

We give relief to the suffering caused by various economic shocks with the help of our safety net initiative of disbursing monthly cash grant of Rs. 1000 (\$ 12) per family through the female of the family. Though apparently a meager sum, thousand rupees signifies an increase of 20 % in the monthly income of the unfortunate families living below the line of poverty.

We **enable** the under-privileged by offering them long-term interest free financial assistance of Rs. 300,000 (\$ 3600 approx) to do any business of their choice. To further stretch the umbrella of enabling environment we are planning vocational and technical trainings and health insurance package for the marginalized and under-privileged sections of our society.

We believe that through continued and targeted support these people will not only become sustainably self-sufficient, thus **graduating** from the vicious circle of poverty, but would also be a positive contributor to national economy.

From the very outset, principle of separation of functions was adopted to ensure transparency and objectivity. The programme management, recipient selection, verification and disbursement processes were assigned to different public organizations to ensure objectivity and transparency.

When we started functioning, our primary task was to identify the real deserving recipients. In the absence of any reliable data on poverty this was a huge task. In the face of urgency of the need we adopted a parliamentarian based targeting approach. To ensure a nonpartisan approach, all members of Parliament, irrespective of party affiliation, were provided equal opportunity to recommend deserving families based on the specified criteria. Parliamentarians' recommendations were independently verified by a computer-based mechanism through National Database and Registration Authority (NADRA). After the

criteria based screening, the final list of recipients was transmitted electronically to the Pakistan Post. The funds are electronically transferred from the Treasury to the Pakistan Post. Payments are made by money order at the doorsteps of the recipients. An internal monitoring mechanism is also in place to ensure the delivery of exact amount to the designated families. In last one and half year we have targeted more than 2.7 million under-privileged families across the country and a total of more than Rs.40 billion has been disbursed to these deserving families.

However, in order to make the targeting more transparent, objective, with minimal inclusion or exclusion errors, and maximum coverage of the real deserving families we have revised the selection criteria. New selection is being made through Poverty Scorecard Survey adopting internationally recognized Proxy Means Testing (PMT). Let me share with you that it is for the first time in Pakistan that any social safety program has opted for a PMT based poverty survey of the entire population. I am extremely thankful to the World Bank with whose collaboration and help we planned, designed and are conducting poverty survey of entire Pakistan including the remotest areas of FATA and Baluchistan. Considering the available resources PMT score of 16.17 has been decided as the cut off line for selection of beneficiaries.

Pilot phase of this survey has already been completed in 16 different districts of Pakistan and data of about 2.5 million households has been collected. Approximately 700,000 families have already been identified as beneficiaries through this improved targeting method in 16 pilot districts. Out of these, cash grant payments to approximately 300,000 newly identified beneficiaries have already been started. Survey in Baluchistan is in the final stages of completion as I speak. National Roll Out of the survey will be started in this month and is planned to be completed by February 2011. As a result of the Survey- which is an ongoing activity- only those of the existing beneficiaries falling below the cut-off score of 16.17 will continue to receive benefits while others would be excluded from the Programme.

BISP is also modernizing its payment mechanism to prevent the leakage of funds by employing technology based solution of disbursement of BISP benefits through Benazir Smart Card. It has already been launched in the Survey districts.

BISP is also alive to the needs and sufferings of victims of terrorism and natural calamities. Under the Emergency Relief Package, BISP has disbursed more than Rs 4 billion to the IDPs of terrorism hit areas in FATA, earth quake affectees in Baluchistan and civilian victims of terrorism all over the country.

After relieving the adverse impacts of the economic shock we offer different initiatives to enable these families to get out of the poverty circle on sustainable basis. First initiative of this kind is micro finance through Waseela-e-Haq (The Right Source) programme. Under this programme soft loans are given to the beneficiaries to start their own business enabling them & their family to move out of poverty. Recipients are selected every month through a computerized random draw of the already certified beneficiaries of BISP. Assistance is offered to female beneficiaries; but they have the choice to start business on their own or nominate any of their representatives to do business for them. But the important point here is that the female beneficiary would remain the sole owner/proprietor of the business. Over 4000 recipient have already been prequalified in six draws. We not only offer this micro-finance but also provide assistance through Pakistan Poverty Alleviation Fund (PPAF) to identify, counsel, and train the beneficiaries regarding the possible businesses; and to monitor the progress as well.

Work, is the key route out of generational poverty especially for the poor. Despite very hard work their efforts generally provide only for their survival. Lack of proper education or skill training proves an enormous obstacle in the way of their prosperity.

Realizing this BISP is designing a Vocational Training Product which aims at providing recipients with free of cost vocational training to exercise any technical profession. Thus enabling them to earn a dignified living and be well integrated in the labor market. BISP will ensure that we are imparting demand-driven technical trainings. For this domestic as well as international labor market's demands have been ascertained in collaboration with Ministry of Labour & Manpower. Services provided through this initiative will include:

guidance & counseling of the trainee;

vocational training facilities; and

professional trainers to impart effective training

This brings me to our fourth initiative, which is of Waseela e Sehet or Health Insurance for the under-privileged families. As this workshop is primarily about the Health Insurance so I would like to go into little bit of the details of this proposed initiative.

Of all the risks facing poor households, health risks pose the greatest threat to their lives and livelihoods. Our safety net survey of 2008 indicates that of all the crisis and shocks faced by the respondents, 54% were related to health of the individual or family. A health shock adds health expenditures to the burden of the poor precisely at the time when they can afford it the least. Such shocks impose major costs on both poor and non-poor households, resulting in situations that lead these households deeper into poverty.

The ineffectiveness of informal risk coping mechanisms for these households suggests that social protection programs should focus on both poverty and risk management.

An effective social protection system would have to, among other considerations, be risk responsive—high exposure to risk and high vulnerability requires the safety net system to react quickly to shocks; and support risk mitigation to help households smooth income.

Providing health care to the poor is a major challenge to most of the countries of the world. Even developed countries face major problems when trying to address this critical issue.

Developing countries, due to scarcity of resources, inefficiencies of the health care delivery systems and increased need for health care induced by poverty are faced with an even more uphill task. There are limited strategies for meeting this challenge.

Numerous reports conclude that the health system in Pakistan will flourish due to such major steps taken by BISP.

The high proportion of the out of pocket expenditure puts unnecessary burden on the poor and promotes inequity. Financial barriers, such as the high cost of health care in the absence of risk pooling, explains the forgoing of health care by the lowest income families. Unnecessary spending on health care offered by the private sector has been shown to divert resources away from important public health areas, such as nutrition and education.

In spite of the promise of Health Insurance, there are several caveats for the organization embarking on developing such a scheme. Recent articles in the literature have demonstrated positive case studies indicating that Health Insurance schemes are on their way to becoming more sustainable.

The key requirements of Health Insurance practiced by various organizations that have been the most successful to date includes multiple factors:

Application of insurance principles --proper design (attractive benefits, appropriate mechanisms to prevent moral hazard and adverse selection), flawless collection of premiums, lowered administration costs and quick payment of claims

Health care delivery that meets the requirements of clients --delivery of care that matters to the poor, cost minimization, appropriate delivery of care, care that enhances trust and care that promotes health and seeks to prevent disease;

Social mobilization --engaging communities in pooling risk, promoting social cohesion and ensuring a high level of participation in the scheme to ensure a high level of risk pooling;

Individual education --since it is individuals who purchase insurance, they need to be educated on the benefits of risk pooling, even after they have purchased, since a key component of sustainability is renewal rates

Application of ethical principles –transparency, equity and fairness. When clients suspect that their premiums are being used improperly or when clients feel that there is unfairness in the insurance, they tend not to renew.

Good management and good governance – human resource training and management, internal and external audits on regular basis, appropriate investment policies and practices, regular market research to ensure services and insurance policy continue to meet changing demands of the target population.

A large number of the insured ensures lower premiums and better health outcomes. Larger numbers of the population in neighboring areas covered by an insurance product reduces administrative costs.

The rate of loss must be predictable. The rate, or the number and timing of losses expected in a group of insured during the term of coverage, determines the premium.

The loss must not be catastrophic to the insurer. It should not be beyond the insurer's ability to honour claims. An insurer can avoid huge losses by means of reinsurance or a transfer of risk to other insurers.

In order to ensure that BISP follows these principles, it is making measured progress and is taking time in developing the insurance model. A phased approach is being taken to ensure that the processes are refined before taking to scale.

The social and economic dividends of introducing a well-implemented, well-thought out health insurance scheme are potentially far-reaching.

The government of Pakistan has been exploring the concept of provision of health insurance for its population for long. It took a decisive step by announcement of provision of health insurance for the poor in the Budget 2009-10. The Finance Bill 2009, duly approved by the Parliament, states that "the BISP will also serve as a platform for complementary social assistance program, the main being health insurance for the poor and vulnerable. This will cover full hospitalization, pregnancy, day-care treatment, diagnostic tests, and accident compensation for earning members of the family to a maximum limit of Rupees 25,000/- per family per year."

This is a major development with a lot of promise and opportunity for the government to fulfill its decades old commitment. Improved healthcare through health insurance can contribute to the stability and prosperity of the nation. We strongly believe that secure families would build secure communities and secure communities make secure societies. Greater social cohesion helps stop crime and conflict and also helps overcome economic, social and structural barriers to growth and development.

I am very much confident and hopeful that we will manage to overcome all these challenges and will fulfill the promises made to the millions of deserving people of our country. I am equally confident that learning from your experience and expertise in this field would go a long way in successful implementation of this initiative.

Thank you very much.